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HALLNOR MINES, LIMITED

ANNUAL REPORT 1970



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HALLNOR MINES, LIMITED

EXECUTIVE OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

DIRECTORS

W. G. Brissenden	-	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	President and General Manager
W. S. Row	-	-	-	-	-	Vice-President
M. J. Slack	-	-	-	-	-	Assistant to the General Manager
B. H. Grose	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto

ANNUAL MEETING: April 13, 1971 — 4.00 p.m. (Toronto Time) Suite 1700 — 44 King Street West

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dividends totalling 16¢ per share were paid in 1970, being four dividends of 4¢ each. A further 4¢ dividend has been declared payable on March 1, 1971.

Tonnage milled was substantially the same as in 1969 but the grade declined from 0.40 oz. gold per ton in 1969 to 0.34 oz. and was the main factor in an operating loss of \$89,432 compared to \$268,016 profit in 1969. Net income was \$411,014 compared to \$652,369 in 1969.

Ore reserves at January 1, 1971 were 139,000 tons averaging 0.36 oz. gold per ton compared to 181,800 tons and 0.39 oz. grade a year ago. Development of the 20 Vein on the deeper levels has been disappointing and with only a limited amount of work remaining to be done there is little possibility of finding any substantial quantity of new ore. Proposals for any further exploration of the property must take into account the announcement last August to extend the EGMA Act to June 30, 1973 with implied probability of further extension to 1975. The Government of Canada is to be commended for continuing the cost allowance program beyond 1970, thus minimizing the economic and social hardships that otherwise would have resulted from sudden termination of this operation.

For several years there has been close coordination of the mine services for the Hallnor and Pamour mines under the direction of one manager. On November 1st the mine operating organization for Hallnor was integrated with the staffs of the Pamour and Aunor mines under one manager. This arrangement will enable maximum utilization of the resources available to each of the companies.

The Manager reports that the planned environmental improvement program for the tailings storage area was continued and additional waste stabilization projects are awaiting approval of the Ontario Water Resources Commission.

Your Directors wish to record their appreciation of the services rendered during the year by the Manager, his staff and all employees.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
January 27, 1971.

EARNINGS PER SHARE	1970	1969
Loss before EGMA credit	(24.6¢)	(11.8¢)
EGMA credit	20.2	25.2
Operating (Loss) Income	(4.4¢)	13.4¢
Investment Income	23.3	23.0
	18.9¢	36.4¢
(Recovery of) Income and Production Taxes	(1.7)	3.8
	20.6¢	32.6¢

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
INCOME		
From metal production	\$1,524,327	\$1,875,643
EXPENSE		
Cost of production	1,961,953	2,030,903
Administrative expenses	31,226	48,307
Depreciation	23,880	31,865
	2,017,059	2,111,075
Less recoverable under The Emergency Gold Mining Assistance Act	403,300	503,448
	1,613,759	1,607,627
OPERATING (LOSS) INCOME	(89,432)	268,016
Investment income		
Dividend and bond interest from affiliated and associated companies	291,850	392,720
Other dividends and interest	175,237	66,815
	467,087	459,535
	377,655	727,551
Provision for (recovery of) income and production taxes	(33,359)	75,182
NET INCOME	411,014	652,369
RETAINED EARNINGS		
Balance — beginning of year	5,759,508	5,547,139
	6,170,522	6,199,508
Prior years' income tax liabilities and accumulated tax reductions no longer required	59,767	—
	6,230,289	6,199,508
Less: dividends	320,000	440,000
Balance — end of year	\$5,910,289	\$5,759,508
EARNINGS PER SHARE	20.6¢	32.6¢

NOTE:

The aggregate direct remuneration paid or payable to the five senior officers of the company (as defined by the Corporations Act) amounted to \$47,042.

HALLNOR M

(Incorporated under

BALANCE SHEET A

ASSETS

	1970	1969
CURRENT ASSETS		
Cash and short term deposits	\$3,827,068	\$ 879,229
Bullion	177,235	168,605
Marketable investments — at cost (quoted market value \$30,400) ..	29,515	29,515
Accounts, notes, interest and dividends receivable	16,865	141,203
Receivable under The Emergency Gold Mining Assistance Act	199,590	220,341
Income taxes recoverable	92,559	—
Stores, at cost	214,721	217,240
Prepaid expenses	10,358	—
	<u>4,567,911</u>	<u>1,656,133</u>
INVESTMENTS — at cost, less amounts written off		
Shares and bonds in associated and affiliated companies (quoted market value \$3,258,400)	<u>2,440,798</u>	<u>5,295,173</u>
FIXED ASSETS		
Plant, buildings, equipment and townsite — at cost	1,561,820	1,547,195
Accumulated depreciation	1,474,889	1,457,287
	<u>86,931</u>	<u>89,908</u>
Mining properties — at cost	362,500	362,500
	<u>449,431</u>	<u>452,408</u>
	<u>\$7,458,140</u>	<u>\$7,403,714</u>

AUDITORS' REPORT T

We have examined the balance sheet of Hallnor Mines, Limited as at December 31, 1970 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
January 27, 1971.

NES, LIMITED

(Incorporated under the Laws of Ontario)

AS AT DECEMBER 31, 1970

LIABILITIES		1970	1969
CURRENT LIABILITIES			
Accounts payable		\$ 210,351	\$ 212,416
Taxes payable		—	75,890
		<u>210,351</u>	<u>288,306</u>
ACCUMULATED TAX REDUCTION APPLICABLE TO FUTURE YEARS		—	<u>18,400</u>
SHAREHOLDERS' EQUITY			
Capital Stock			
Authorized, issued and fully paid			
2,000,000 shares of \$1 each		2,000,000	2,000,000
Discount thereon		<u>662,500</u>	<u>662,500</u>
		1,337,500	1,337,500
Retained earnings		<u>5,910,289</u>	<u>5,759,508</u>
		<u>7,247,789</u>	<u>7,097,008</u>
On behalf of the Board:			
D. E. G. SCHMITT, Director			
W. S. ROW, Director			
		<u>\$7,458,140</u>	<u>\$7,403,714</u>

THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1970

	<u>1970</u>	<u>1969</u>
WORKING CAPITAL, beginning of year	<u>\$1,367,800</u>	<u>\$1,151,300</u>
SOURCE OF FUNDS		
Operations —		
Net income for the year	411,000	652,400
Depreciation	23,900	31,900
Prior years' income tax liabilities written off	41,400	—
Sale of investments	<u>3,229,400</u>	<u>—</u>
	<u>3,705,700</u>	<u>684,300</u>
APPLICATION OF FUNDS		
Dividends	320,000	440,000
Fixed assets — net	20,900	21,700
Deferred taxes	—	6,100
Purchase of investments	<u>375,000</u>	<u>—</u>
	<u>715,900</u>	<u>467,800</u>
NET INCREASE	<u>2,989,800</u>	<u>216,500</u>
WORKING CAPITAL, end of year	<u>\$4,357,600</u>	<u>\$1,367,800</u>

MANAGER'S REPORT

To the President and Directors:

This report summarizes operations for the year 1970.

MINE

Development

Most of the development work was directed to exploration of the 20 Vein. On the 31st (4750') level 197 feet of new drift was ore grade. On the 32nd (4900') level, advance amounted to 264 feet of which 24 feet was ore grade.

Underground diamond drilling totalled 19,140 feet in 91 holes; 5,775 feet for exploration and the remainder for stope outline purposes.

An agreement with Broulan Reef Mines Limited permitted some exploration work on the property adjoining Hallnor to the west but no ore was found in 168 feet of drifting from the 31st level and the work was stopped.

Development Summary

	Feet of Advance	
	1970	1969
Drifts and Crosscuts	1,600	3,640
Raises	305	215
Stope Preparation	5,810	5,925
Diamond Drilling	19,140	27,380

ORE RESERVES (at January 1st)

	1971		1970	
	Tons	Gold Oz./Ton	Tons	Gold Oz./Ton
Above 8th level	2,800	0.28	10,300	0.25
18th to 22nd level	10,700	0.25	16,200	0.25
22nd to 31st level	125,500	0.37	155,300	0.42
	<u>139,000</u>	<u>0.36</u>	<u>181,800</u>	<u>0.39</u>

Allowance for normal dilution has been made in the above estimates.

The erratic nature of gold distribution has become more pronounced with depth and the possibilities of finding appreciable tonnages of additional ore appear to be limited.

STOPING

Production from stopes amounted to 124,000 tons. The broken reserve in stopes at year end was approximately 10,750 tons. Tonnage hoisted in No. 3 shaft from below the 22nd (3350') level amounted to 81% of the total, the same as for 1969.

The hydraulic fill system conveyed 53,970 tons of classified mill tailings from the mill to stopes for backfill. This was supplemented by 1,160 tons of reclaimed tailings, 1,000 tons of pit sand and 1,140 tons of mine waste rock.

Tonnages from various levels were as follows:

Level	Below Surface (Feet)	Mine Production — Tons	
		1970	To Date
1st to 8th	1,400	15,900	2,628,990
18th	2,750	—	28,570
19th	2,900	—	248,210
20th	3,050	—	129,600
21st	3,200	2,895	43,500
22nd	3,350	5,495	31,040
23rd	3,500	5,255	80,760
24th	3,700	8,260	169,275
25th	3,850	20,415	133,795
26th	4,000	5,855	147,210
27th	4,150	21,820	48,155
28th	4,300	9,335	31,295
29th	4,450	14,675	19,735
30th	4,600	7,340	7,495
31st	4,750	6,525	6,525
Stoping Total		123,770	3,754,155
Development		6,690	262,035
		<u>130,460</u>	<u>4,016,190</u>

MILL

The mill operation was continuous throughout the year. The primary ball mill operated 98.3% of the possible running time and averaged 355 tons per day, slightly less than in 1969.

Ore treated amounted to 129,560 tons averaging 0.336 oz. of gold per ton. Recovery was 95.8% for production of 41,780 ounces of gold and 2,277 ounces of silver.

From commencement of milling in June 1938 to the end of 1970, the mill treated 4,013,860 tons of ore yielding 1,564,015 fine ounces of gold and 112,191 fine ounces of silver having a combined value of \$57,348,200.

A program for establishing vegetation on the slopes of the tailings storage area, which began in 1968, was continued.

GENERAL

The operating organization for the mine was integrated on November 1, 1970 with those of the Aunor and Pamour mines in the Porcupine Area. Co-ordination of staff services under the direction of one manager has improved the technical and administrative resources available to each mine and should result in economies.

I wish to express my appreciation to the entire staff for loyal and efficient services rendered during the year.

Respectfully submitted,

Pamour, Ontario,
January 15, 1971.

L. S. BROOKS,
Manager.

